DRN-4667647

The complaint

Mr E and Mrs E 's complaint is about mortgage advice they received from First Complete Ltd trading as PRIMIS Mortgage Network.

To settle the complaint Mr and Mrs E want First Complete to compensate them for their financial losses and for the distress and inconvenience they have been caused.

What happened

I do not need to set out the full background to the complaint. This is because the history of the matter is set out in the correspondence between the parties and our service, so there is no need for me to repeat the details here.

In addition, First Complete has acknowledged it made mistakes and has offered compensation. Therefore all I need to decide is whether that is sufficient to put things right or if there is more that needs to be done.

Finally, our decisions are published, so it's important I don't include any information that might lead to Mr and Mrs E being identified. So for these reasons, I will instead concentrate on giving a brief summary of the complaint, followed by the reasons for my decision. If I don't mention something, it won't be because I've ignored it; rather, it'll be because I didn't think it was material to the outcome of the complaint.

In early 2022 Mr and Mrs E were coming to the end of the fixed rate product on their mortgage. They wanted to switch to a new interest rate product with their existing lender and raise additional funds to purchase a rental property. Mr and Mrs E wanted to apply for a five-year fixed interest rate of 1.95%, expiring on 31 August 2027 which came with a product fee of £999.

Since taking out the original mortgage, Mr and Mrs E had married, and so Mrs E needed to change her name with the lender. She returned the form promptly to First Complete. However, there then followed what I can only call a catalogue of errors by First Complete.

I will mention here that the lender accepted it had made an administrative error in June 2022, but said at that point that it would honour the 1.95% rate. But the lender's error was not the reason why the application didn't proceed. Despite Mr and Mrs E chasing First Complete multiple times for an update, it wasn't until 22 November 2022 that the lender confirmed that the correct documentation had been received from First Complete.

First Complete then requested an illustration with the 1.95% rate from March 2022, but were told by the lender this was no longer available. Mr and Mrs E were chasing First Complete from December 2022 onwards, but did not receive an illustration.

After complaining to First Complete, another broker was assigned to their case. After speaking to him, Mr and Mrs E were told that a further advance wasn't possible due to a fall in their income, and that the 1.95% rate was no longer available. After being on their lender's Standard Variable Rate (SVR) between April 2022 and April 2023, in May 2023

Mr and Mrs E took out a new five-year fixed interest rate product at 4.13% which expires on 31 August 2028, This had no product fee.

In response to the complaint, First Complete recognised its customer service hadn't been satisfactory. It offered compensation of £500. Because First Complete couldn't say for certain that any application for further borrowing would have been successful, it didn't think it was responsible for compensating Mr and Mrs E for the difference between the interest rate they were now on and the one they could have had in 2022.

Dissatisfied with First Complete's response, Mr and Mrs E raised the complaint with our service. An Investigator looked at what had happened. She recommended the complaint should be upheld.

The Investigator was satisfied there had been significant delays by First Complete in dealing with Mrs E's change of name between March and November 2022. Whilst she agreed that there was no guarantee of further borrowing, if the change of name had been properly dealt with by First Complete, Mr and Mrs E would have known very quickly that they couldn't have had the extra borrowing. The Investigator was satisfied that Mr and Mrs E could then have gone ahead with the product switch on the 1.95% rate.

The Investigator asked First Complete to put things right by compensating Mr and Mrs E as follows:

- paying the difference between SVR and the 1.95% rate between 1 April 2022 and 1 February 2023;
- paying the difference between the interest Mr and Mrs E will pay on their fixed rate of 4.13% and the 1.95% rate until 31 August 2028.

First Complete responded to say that this didn't take into account the product fee of £999 on the 1.95% rate, which should be deducted from any redress. In addition, First Complete said that the 1.95% rate would have ended on 31 August 2027, not 31 August 2028, and so that is the date that should be used for the calculation. First Complete also said that the mortgage had been on SVR until 30 April 2023, as the new deal had started on 1 May 2023.

The Investigator agreed with the point about the product fee, but didn't change her findings in any other way.

Mr and Mrs E also didn't accept the outcome. They said that the 1.95% should be paid until the end of the current product, up to 31 August 2028. This is because, although interest rates may be lower in August 2027 (when the 1.95% product would have ended), they could only switch to a new product by paying an early repayment charge (ERC) before their existing product ends on 31 August 2028.

Mr and Mrs E also said that the proposed outcome didn't take any account of the distress and inconvenience they'd been caused by First Complete, for which they believe they should be compensated.

Provisional decision of 19 February 2024

I issued a provisional decision in which I made the following findings:

> There is no doubt that the service Mr and Mrs E received from First Complete fell below the standard the should have been given. As a result, Mr and Mrs E lost out on the interest rate product they should have had.

I'm satisfied that if the change of name – a simple enough process – had been handled as it should have been, Mr and Mrs E would have been told at a much earlier stage that they couldn't have had the extra funds they wanted from their existing lender. I think this would have been the case with any lender (looking at Mr and Mrs E's company profits), so I don't think they would have gone ahead elsewhere for the additional borrowing if they'd been told this at the outset.

Although the existing lender had originally said in June 2022 that it would honour the 1.95% interest rate product, by November 2022 too much time had passed. Understandably, and particularly as interest rates had increased significantly since the mini-budget that happened on 23 September 2022, the lender wasn't able to continue to offer the 1.95% product.

Therefore, Mr and Mrs E had little option but to take the 4.13% interest rate, which is over a longer term. As a result, they've suffered financial loss, which I'm satisfied is attributable to the errors and omissions on the part of First Complete in dealing with what was a relatively straightforward application.

Mr and Mrs E's loss is the additional interest they will have to pay for each month of the five years of the fixed rate. Calculating the difference between the two interest rates ensures that Mr and Mrs E are compensated for the later expiry date, as well as the higher interest rate.

I have noted the point Mr and Mrs E have made; if they are only compensated until the end of the 1.95% rate on 31 August 2027, they would face an ERC if they were to exit the 4.13% product after that point, so they would suffer financial loss.

However, in year five the ERC would be a maximum of £562.33 (based on the capital balance at the start of the mortgage of £72.849) and so should be much less than £562.33 after five years. I have therefore taken this into account in my award of redress, looking at whether Mr and Mrs E would be better or worse off by exiting their mortgage deal after 31 August 2027.

I agree that the £999 product fee that Mr and Mrs E would have paid on the 1.95% product fee should be taken into account and deducted from the compensation. I'm also satisfied that Mr and Mrs E should be compensated for the increased payments they made while they were on SVR.

I also have no doubt that Mr and Mrs E were caused distress and inconvenience as a result of the poor service they received from First Complete. I note that £500 compensation was offered for this. However, as the errors were made over a long period of time, and during a period where interest rates increased significantly, I think that this is insufficient to compensate Mr and Mrs E for the distress and worry they were caused. I therefore intend to order First Complete to pay compensation of £750 for distress and inconvenience.

Putting things right

For the reasons I've given above, I intend to uphold this complaint. To settle the complaint I intend to order First Complete Ltd trading as PRIMIS Mortgage Network to do the following:

1. calculate and pay to Mr and Mrs E the difference between SVR and the 1.95% rate between 1 April 2022 and 30 April 2023 (because Mr and Mrs E's new deal

started on 1 May 2023); (**A**)

2. calculate and pay to Mr and Mrs E the difference in the monthly payments between the 4.13% fixed rate and the 1.95% fixed rate from 1 May 2023 to 31 August 2027; (**B**)
3. calculate the difference in the monthly payments between the 4.13% fixed rate and the 1.95% fixed rate from 1 September 2027 to 31 August 2028; (**C**)
4. from the capital balance as it would be on 1 September 2027 assuming all payments are made in full and on time, calculate the ERC at 1% that would be payable on that balance if the product was exited on 1 September 2027: (**D**);
5. if **C** is more than **D**, then there will be no financial loss in Mr and Mrs E exiting their existing deal after 31 August 2027; for example, if the ERC is at that point, say, £500 but the difference in payments is, say, £600, Mr and Mrs E would be better off exiting the deal onto a new interest rate product and paying the ERC;
6. if **C** is less than **D**, First Complete should pay the difference between **C** and **D,** because the cost of exiting the deal would be higher than the payment differential; for example, if the ERC is, say, £500 at that point but the difference in repayments is, say, £400, Mr and Mrs E would be £100 worse off by exiting the deal and paying the ERC; (**E**)
7. from the above figures, First Complete should deduct the £999 product fee that would have been payable on the 1.95% product; (**F**)

Total redress is therefore: **A + B +** (if appropriate as per points 4-6) **E – F**.

I require First Complete to provide the calculations of redress as set out above.

In addition, I intend to direct First Complete to pay compensation for distress and inconvenience. I have noted the offer of £500, but given that these events took place over a long period of time, and the effect of this on Mr and Mrs E, I think that £750 compensation would be more appropriate.

Responses to the provisional decision

Mr and Mrs E said that the proposed redress didn't take into account their additional claim that the catalogue of errors affected them taking out a further advance. They'd wanted to take this in 2022, so they could purchase a rental property, the plan being that as cash buyers they could quickly buy a property that required work to enhance any profit they would see on their investment.

Although they could have progressed this at the time of the product transfer in April 2023, they decided to delay because they needed time for mental recovery due to the stress of the lost interest rate, and in dealing with the complaint. They are only now applying for this.

Mr and Mrs E say they had initially been advised by First Complete that they met the criteria to take a *"significant"* further advance in March 2022. Mr and Mrs E accept they never progressed this, but say this was entirely due to the errors made by First Complete, and the resultant effect on their mental health.

Therefore they have a new claim: that they have been financially impacted on the further advance, which has resulted in significant financial loss.

Other than that, Mr and Mrs E agreed with the outcome.

First Complete provided the calculations requested, showing that total redress payable is £5,314.15.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Because both parties have accepted the outcome, the only issue I need to decide is what should be done to put this right.

I've noted the further comments made by Mr and Mrs E about the further advance they'd considered taking out in April 2022. Mr and Mrs E say they were assured by First Complete that they met lending criteria for the further advance and so believe they would have been granted this at the 1.95% rate. They therefore believe they should be compensated accordingly because they've lost out on this now.

However, I'm not persuaded that Mr and Mrs E were given any guarantee that the lender would approve the application. Mr and Mrs E's claimed losses in relation to their proposed rental property are speculative, as they weren't actually in the process of buying a property.

Mr and Mrs E say they could have pursued the further advance application in April 2023, but didn't do so because of the affect on their mental health of missing out on the 1.95% interest rate. However, whilst I accept these events must have been upsetting, I also note they were told by the new adviser at First Complete at that time that they wouldn't meet lending criteria for the further advance. In the circumstances, I don't consider it to be fair or reasonable to hold First Complete responsible for the speculative losses they are claiming in this regard.

I'm satisfied, however, that the complaint about poor customer service for the new interest rate product should be upheld, for the reasons given in my provisional decision.

Putting things right

I've reviewed the calculations provided by First Complete, and I am satisfied they are in accordance with the redress formula set out in the provisional decision. A copy of the calculations will be provided to Mr and Mrs E for information purposes.

To settle the complaint, I direct First Complete Ltd trading as PRIMIS Mortgage Network to pay compensation for financial loss of £4,564.15, plus £750 for distress and inconvenience, making a total of £5,314.15.

My final decision

My decision is that I uphold this complaint. I direct First Complete Ltd trading as PRIMIS Mortgage Network to settle the complaint as directed above. I make no other order or award.

This final decision concludes the Financial Ombudsman Service's review of this complaint. This means that we are unable to consider the complaint any further, nor enter into any discussion about it.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr E and Mrs E to accept or reject my decision before 4 April 2024.

Jan O'Leary
Ombudsman